

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

U

D

BILL DRAFT 2013-RBxz-47 [v.10] (01/28)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)

4/8/2014 2:59:06 PM

Short Title: Deduction for State Net Loss.

(Public)

Sponsors: (Primary Sponsor).

Referred to:

A BILL TO BE ENTITLED
AN ACT TO REPLACE THE CORPORATE INCOME TAX DEDUCTION FOR NET
ECONOMIC LOSS WITH A DEDUCTION FOR STATE NET LOSS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-130.5(b) reads as rewritten:

"(b) The following deductions from federal taxable income shall be made in determining
State net income:

...
(4) ~~Losses in the nature of any unused portion of a net economic loss as allowed under G.S. 105-130.8A(e). losses sustained by the corporation in any or all of the 15 preceding years pursuant to the provisions of G.S. 105-130.8. A corporation required to allocate and apportion its net income under the provisions of G.S. 105-130.4 shall deduct its allocable net economic loss only from total income allocable to this State pursuant to the provisions of G.S. 105-130.8. This subdivision expires for taxable years beginning on or after January 1, 2030.~~

(4a) A State net loss as allowed under G.S. 105-130.8A. A corporation may deduct its allocable and apportionable State net loss only from total income allocable and apportionable to this State.

..."

SECTION 2. G.S. 105-130.8 is repealed.

SECTION 3. Part 1 of Article 4 of Chapter 105 of the General Statutes is amended
by adding a new section to read:

"§ 105-130.8A. Net loss provisions.

(a) State Net Loss. -- A taxpayer's State net loss for a taxable year is the amount by which allowable deductions for the year, other than prior year losses, exceed gross income under the Code for the year adjusted as provided in G.S. 105-130.5. In the case of a corporation that has income from business activity within and without this State the loss must be allocated and apportioned to this State in the year of the loss in accordance with G.S. 105-130.4.

(b) Deduction. -- A taxpayer may carry forward a State net loss the taxpayer incurred in a prior taxable year and deduct it in the current taxable year, subject to the limitations in this subsection:

(1) The loss was incurred in one of the preceding 15 taxable years.



1 (2) Any loss carried forward is applied to the next succeeding taxable year
2 before any portion of it is carried forward and applied to a subsequent
3 taxable year.

4 (c) Mergers and Acquisitions. – The Secretary must apply the standards contained in
5 regulations adopted under sections 381 and 382 of the Code in determining the extent to which
6 a loss survives a merger or an acquisition.

7 (d) Administration. -- A taxpayer claiming a deduction under this section must maintain
8 and make available for inspection by the Secretary all records necessary to determine and
9 verify the amount of the deduction. The Secretary or the taxpayer may redetermine a loss
10 originating in a taxable year that is closed under the statute of limitations for the purpose of
11 determining the amount of loss that can be carried forward to a taxable year that remains open
12 under the statute of limitations.

13 (e) Net Economic Loss Carryforward. – For taxable years beginning before January 1,
14 2015, a taxpayer is allowed a net economic loss as calculated under G.S. 105-130.8. In
15 determining and verifying the amount of a net economic loss incurred or carried forward for
16 taxable years beginning before January 1, 2015, the provisions of G.S. 105-130.8 apply. Any
17 unused portion of a net economic loss carried forward to taxable years beginning on or after
18 January 1, 2015, is administered in accordance with this section. This subsection expires for
19 taxable years beginning on or after January 1, 2030."

20 **SECTION 4.** This act becomes effective for taxable years beginning on or after
21 January 1, 2015.